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The state of South-South cooperation

Report of the Secretary-General

Summary

The present report is submitted in response to General Assembly resolution 58/220 of 23 December 2003, in which the Assembly requested the Secretary-General to submit to it at its sixtieth session a report on the current state of cooperation among developing countries (South-South cooperation). The report reviews the growing role of such cooperation and the opportunities and challenges of a globalizing world. It provides an overview of trends in global and regional cooperation arrangements, and considers the contribution of developing and developed countries, the United Nations system, the private sector and civil society in support of South-South cooperation. In conclusion, the report recommends action to intensify the processes of South-South cooperation and make them more coherent and visible.

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I. Introduction

1. The present report reviews the current state of cooperation among developing countries (South-South cooperation). It covers developments in the period since January 2003, a period when developing countries have been the top economic performers in the world, achieving broad-based increases in the volume and value of their trade in manufactures, services and commodities.

2. South-South cooperation has received intensified support from developing countries and the larger international community. This has been evidenced by a number of important summits and conferences organized by the Group of 77 and China, the Non-Aligned Movement and other entities. These included the Asia-Africa Summit, held in Jakarta in April 2005, and the Second South Summit, held in Doha in June 2005.

3. Developed countries have also demonstrated strong support for South-South cooperation. For example, in February 2005, the Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development (OECD) organized a meeting in collaboration with the Special Unit for South-South Cooperation in order to forge closer cooperation between DAC members and developing countries that provide assistance to other countries of the South. The Group of Eight (G-8) leaders at their 2005 summit in Gleneagles, United Kingdom of Great Britain and Northern Ireland, highlighted the importance of South-South cooperation, especially in regard to international support for the New Partnership for Africa's Development (NEPAD).

4. In addition to growing political commitment, the new vibrancy in South-South cooperation is reflected in the trends towards increasing flows of South-South trade and investment, as well as collaboration in the monetary and energy sectors. Movements towards regional and subregional integration have also increased the space for South-South relations.

5. The scope of South-South cooperation has also expanded beyond the traditional economic and technical areas. For example, the Group of 77 and the Non-Aligned Movement have pushed for South-South cooperation to cover all aspects of international relations. They have also stressed the need to ensure that North-South and South-South efforts converge towards the same objectives of sustainable development and, specifically, the Millennium Development Goals.

6. To deal with the recurring problem of funding for South-South cooperation, the Second South Summit called for strengthening of the Voluntary Trust Fund for the Promotion of South-South Cooperation and designated it as the main multilateral funding mechanism for South-South cooperation.

7. The present report looks at developments in the monetary, financial, investment and trade arrangements among developing countries and presents an overview of evolving trends and issues. It also contains a number of conclusions and recommendations. It draws information from the proceedings of a number of international conferences (see para. 9 below), as well as from various published reports, official statements of Governments and responses from States and United Nations entities to questionnaires circulated by the Special Unit for South-South Cooperation in the United Nations Development Programme (UNDP), and also from searches on the Internet.

II. State of South-South cooperation

A. Global, regional and subregional arrangements

8. The growing importance of South-South cooperation has been reflected in the outcome of a number of international meetings convened by developing countries: (a) the Thirteenth Summit of the Non-Aligned Movement in Kuala Lumpur (February 2003); (b) the first and second Asian-African Subregional Organizations Conference in Bandung, Indonesia (July 2003) and Durban, South Africa (August 2004); (c) the Ministerial Meeting on South-South Cooperation convened by the Group of 77 and China in Marrakech, Morocco (December 2003); (d) the Third South American Summit (December 2004) in Cuzco and Ayacucho, Peru; (e) the High-level Forum on Trade and Investment in Doha (December 2004); (f) the Asia-Africa Summit in Jakarta (April 2005); and (g) the Second South Summit in Doha, (June 2005).

9. Meetings convened by the United Nations relevant to South-South cooperation included the following:

(a) The first International Ministerial Conference of Landlocked and Transit Developing Countries and Donor Countries and International Financial and Development Institutions on Transit Transport Cooperation, held in Almaty in August 2003, emphasized the need for South-South cooperation in overcoming the transit and transportation problems of landlocked developing countries;

(b) The eleventh United Nations Conference on Trade and Development (UNCTAD XI), held in Sao Paolo, Brazil, in June 2004, marked the first international recognition of the need for developing countries to have "policy space" to make policy adjustments in the process of integrating their economies with global markets;

(c) The International Meeting to Review the Implementation of the Programme of Action for the Sustainable Development of Small Island Developing States, held in Port Louis, Mauritius, in January 2005, adopted the Mauritius Strategy, in which it affirmed the critical importance of South-South cooperation at all levels of international relations; and

(d) The High-level Committee on South-South Cooperation, which held its fourteenth session at United Nations Headquarters from 31 May to 3 June 2005, reviewed developments over the 2003-2004 biennium and stressed the need for concrete action on its recommendations.

10. Continent-wide initiatives in Africa and in Latin America and the Caribbean and interregional cooperation among developing countries have assumed a new vitality with the increasing participation of the private sector and civil society organizations. However, performance is very mixed. Most African States continue to be seriously disadvantaged.

11. The United Nations Millennium Project has noted the importance of regional cooperation in meeting the Millennium Development Goals. Because bank financing is generally unavailable for regional projects, it estimated that official development assistance to build regional infrastructure would need to rise from $2 billion in 2002 to $11 billion by 2015.

Africa

12. Politically, Africa has made the most advanced effort at continent-wide integration. All but one (Morocco) of the continent's 53 countries belong to the African Union, which projects a phased integration of subregional entities into a continent-wide common market with a number of shared institutions.

13. The African Union organs are: (a) the summit-level Assembly, which meets in ordinary session at least once a year; (b) the ministerial-level Executive Council; (c) the Permanent Representatives Committee; (d) the 15-member Peace and Security Council, launched in May 2004, with an advisory Council of Elders; (e) the Economic, Social and Cultural Council, inaugurated in March 2005, composed of 150 representatives of civil society; (f) the Pan-African Parliament (which held its first two sessions in 2004); (g) the 10-member Commission, the current Chairperson of which is Alpha Oumar Konaré, former President of Mali; and (h) the Court of Justice, whose 11 judges are elected by the Assembly.

14. South-South peace efforts have succeeded in preventing or resolving a number of African conflicts. In 1998, when the Secretary-General of the United Nations first reported on the causes of conflict and the promotion of durable peace and sustainable development in Africa, 14 countries were experiencing armed conflict or civil strife and 11 were in a state of severe political crisis and turbulence. The 2004 update to that report found that the number of African countries in armed conflict had decreased to six and that very few African countries were facing deep political crises.[1]

15. Subregional and regional peace efforts have played a large part in winding down conflicts. The African Union fielded its first peacekeeping force in May 2003, deploying soldiers from Ethiopia, Mozambique and South Africa in Burundi. In 2004, it deployed monitors to oversee the implementation of a ceasefire agreement in the civil war in the Darfur region of the Sudan and a force of 150 Rwandan soldiers to protect them. A larger African Union peacekeeping force is now projected, which, if international support materializes as pledged, could grow to over 7,000 military and police personnel by the end of September 2005 and reach 12,000 in 2006.[2]

16. A particularly important initiative of NEPAD is the African Peer Review Mechanism to assess, monitor and promote political, economic and corporate governance and the observance of human rights norms. In June 2005, the national reports of Ghana and Rwanda were presented at a forum in Accra beginning the process of review by other African States. To date, 23 African countries have agreed to participate in the peer review process.

17. With NEPAD providing an overall framework for 22 major developmental initiatives, the opportunities for and obstacles facing South-South cooperation are coming clearly into focus. For instance, the Comprehensive Africa Agriculture Development Programme, the implementation programme for which was rolled out at a ministerial meeting of the African Union in Accra in May 2005, has revealed the staggering costs imposed by inadequate infrastructure. Transport and insurance payments as a proportion of the value of exports are 55.5 per cent in Malawi, 51.8 per cent in Chad, 48.4 per cent in Rwanda, 35.6 per cent in Mali, 35.5 per cent in Uganda and 32.8 per cent in the Central African Republic.[3]

18. The cost of implementing the Comprehensive Africa Agricultural Programme to 2015, a crucial step in achieving the Millennium Development Goals of reducing poverty and hunger, is estimated to be some $18 billion. To put this figure into perspective, it represents about 90 per cent of the annual cost of African food imports.

19. Despite the variety of obstacles to regional integration in Africa, there has been notable progress in some areas. Trade liberalization and facilitation have advanced in the West African Economic and Monetary Union and the Common Market for Eastern and Southern Africa. The Economic Community of West African States and the East African Community have eased trans-border movements of people by issuing regional passports. Negotiations during 2003 and 2004 resulted in the signing of a protocol establishing a customs union among the East African Community members, which began operations in January 2005. The Southern African Development Community continued building a regional power grid and infrastructure for regional "development corridors".

Asia

20. Asia has the world's fastest-growing economies. Their interactions with one another have been increasing across the board, with Governments facilitating the strong involvement of the private sector.

21. The Intergovernmental Agreement on the Asian Highway Network came into force in July 2005, setting standards for a 141,000-kilometre network of roads spanning 32 countries and stretching from Asia's Pacific coasts to Europe. About 16 per cent of the network is below the minimum standard set by the Agreement and will require an estimated $18 billion to upgrade. An agreement to create a trans-Asian railway network by linking all the national systems is expected to be opened for signature in 2006.

22. In October 2003, the Association of Southeast Asian Nations (ASEAN) signed a watershed agreement to establish an "economic community" by 2020. A day later, China and India became the first countries outside ASEAN to accede to the Association's founding Treaty of Amity and Cooperation in Southeast Asia, which renounces the use of force. The two countries (along with Japan) also signed separate agreements with ASEAN to reduce trade barriers, with a view to establishing a free trade area that will cover Asia's largest economies and the bulk of its people.

23. The June 2005 Comprehensive Economic Cooperation Agreement between the Republic of India and the Republic of Singapore (Asia's second-largest foreign investor after the Hong Kong Special Administrative Region), will facilitate trade, investment and the movement of personnel.

24. Regional cooperation in Asia has increased in recent months. China and India have signed an agreement aimed at rapidly increasing trade across their shared Himalayan border. In January 2004, an agreement establishing the South Asian Free Trade Area was signed at a summit meeting of the seven-member (Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka) South Asian Association for Regional Cooperation (SAARC). The agreement will come into force on 1 January 2006. SAARC leaders also agreed in 2004 on the SAARC Social Charter,

on measures to combat the financing of terrorism and on the establishment of a health surveillance centre and a rapid deployment health response system.

25. Six countries (Bhutan, India, Myanmar, Nepal, Sri Lanka and Thailand) agreed at a ministerial meeting in Thailand in February 2004 to create a free trade zone by 2017. India will conduct a feasibility study for a deep seaport in Myanmar to serve as a transportation hub between South and South-East Asia. A 1,600-mile stretch of the Asian Highway Network will be ready by the end of 2005, making overland travel possible for the first time from the Indian Ocean coast of Myanmar to the Pacific Ocean shores of Viet Nam.

26. The six-member Gulf Cooperation Council (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates) initiated a customs union on 1 January 2003 after 15 years of negotiations.

27. The Shanghai Cooperation Organization, which promotes cooperation on, inter alia, security and economic issues among China, Kazakhstan, Kyrgyzstan, the Russian Federation, Tajikistan and Uzbekistan, established two permanent bodies in 2004: a secretariat in Beijing and a regional anti-terrorism centre in Tashkent. Mongolia and India have observer status with the Shanghai Cooperation Organization.

28. In addition to formal cooperation agreements, Asia has seen an expansion of high-level dialogue and consultation on regional affairs. The annual retreats of the ASEAN Regional Forum (established in 1994) have continued to attract a steadily growing number of "dialogue partners" that now include China, the European Union, India, Japan, the Russian Federation and the United States. The Asian Cooperation Dialogue, launched by Thailand in 2002 with the aim of creating an Asian Community, engaged 28 States in 2005, representing all regions of the continent. The Boao Forum for Asia has promoted dialogue among political, civil-society and business participants from Asia since 2002.

Latin America

29. The South American Community of Nations (SACN) was established at a summit meeting in Cuzco, Peru, on 8 December 2004. SACN is to be a politically, socially, economically, environmentally and infrastructurally integrated South American area, with a unique identity in international forums. According to plans drawn up under the Initiative for the Integration of Regional Infrastructure in South America, it will be brought into existence by a decentralized programme of development around 10 integration hubs, each with 32 anchor projects, budgeted at $4.2 billion over a five-year period.[4]

30. The agreement on SACN came on the heels of a free trade agreement signed in October 2004 between the Common Market of the South (Mercosur), comprising Argentina, Brazil, Chile, Paraguay and Uruguay, and the Andean Community (Bolivia, Colombia, Ecuador, Peru and Venezuela (the Bolivarian Republic of)). Guyana and Suriname will be part of SACN while retaining membership in the Caribbean Community (CARICOM) (see para. 33 below).

31. The need to develop transport and communications infrastructure is widely recognized, but joint action has been generally slow. For instance, after the Andean Community decided in August 1996 to develop its own satellite communications system, it took nearly a decade before a temporary satellite was moved into the

reserved orbital position. In the interim, the legal framework for cooperation was prepared and the Andean multinational enterprise, Andesat, was established, comprising 44 companies based in the region.

Central America

32. The five States of Central America were unable to meet the target of achieving a customs union by 2003, but they have harmonized over 90 per cent of tariff lines, agreed on a treaty on investment and services, and established a dispute settlement mechanism. In 2004, El Salvador and Guatemala removed all restrictions along their border. The region is pressing ahead with economic integration as it negotiates United States proposals for a Central American Free Trade Agreement and the hemispheric Free Trade Agreement of the Americas.

The Caribbean Community

33. The 15-member Caribbean Community (CARICOM) will become the CARICOM Single Market and Economy at the end of 2005. In April 2005, the Caribbean Court of Justice was inaugurated at Port-of-Spain, replacing the British Privy Council as the final court of appeal for countries of the region. The Caribbean Court of Justice is also a court of first instance for the interpretation and application of the Revised Treaty of Chaguaramas, the CARICOM founding charter.

34. Owing to the growing trend of countries to form subregional and regional groupings in order to address common challenges, there is a need for increased coordination among experts and key policymakers in the secretariats of these groupings.

B. South-South monetary and financial cooperation

35. Developing countries in the aggregate were running a large current account surplus in 2004, equivalent to 2 per cent of their gross domestic product (GDP). Their foreign reserves grew by $378 billion in 2004, to an estimated $1.6 trillion, an all-time high. China held $610 billion in reserves and India, $125 billion.[5] Members of ASEAN, the Republic of Korea and Taiwan Province of China also hold very sizeable reserves.

36. Following the "Asian financial crisis" of 1997, the 10 members of ASEAN plus China, Japan and the Republic of Korea (known collectively as ASEAN+3) decided at a meeting in Chiang Mai, Thailand, to create regional institutions that would insulate them from a recurrence of the outflow of funds from their economies that precipitated the crisis. The Chiang Mai Initiative has made significant progress. In June 2003, ASEAN+3 agreed to harmonize financial policies and standards, regulatory systems and tax treatments. This was followed up by the launch of a billion-dollar Asian Bond Fund. The Asian Bond Fund 2 (ABF2) was launched in December 2004.[6] ASEAN+3 is studying the feasibility of a Pan-Asian bond index fund and a fund of bond funds, to provide cost-effective, diversified instruments for investors. There is also continuing talk of creating a single monetary area similar to the euro zone.

37. The Highly Indebted Poor Countries (HIPC) Ministerial Network is another South-South cooperation effort. A grouping of the 38 countries identified by the

International Monetary Fund (IMF) under its 1996 initiative for debt relief, the network meets twice a year to take stock and consult. At their eleventh meeting (Maputo, March 2005), the HIPC ministers called for help in building their capacity to analyse debt sustainability and create a framework for action. The ministers also called for consolidation of information on best practices in the effective use of development aid. In response to calls for debt cancellation, China and India have forgiven significant amounts ($1.2 billion and $500 million, respectively) owed by other developing countries.

38. A number of developing countries have also been extending grant assistance. In June 2003, the Ministers for Foreign Affairs of India, Brazil and South Africa (IBSA) agreed at a meeting in Brasilia to set up a Dialogue Forum for regular consultations on a wide range of issues. They established an IBSA funding facility for hunger and poverty alleviation, which is being managed by the Special Unit for South-South Cooperation in UNDP.

39. An area in which there is little South-South cooperation is that of dealing with remittances to developing countries from migrant populations. Such remittances are estimated to have increased by $10 billion in 2004 — to $126 billion. This followed a $17-billion increase in 2003. Low-income countries received nearly half of the $41-billion increase in remittances to developing countries from 2001 to 2004. South Asia received the most ($17 billion), followed by Latin America and the Caribbean ($13 billion) and East Asia and the Pacific ($7 billion).[7] Remittances are more evenly distributed than capital flows to developing countries. Many small developing countries also receive remittance flows that are significant as a share of GDP or in per capita terms; Lebanon, Lesotho, Tajikistan and Tonga are examples. South-South cooperation could focus on improving the availability of statistical data, drawing more of the remittances into formal banking channels and reducing the costs of transmitting funds (which can be as high as 20 per cent of small amounts).

C. Investment and capital flows

40. Developing countries have become important not only as the destinations of foreign direct investment (FDI) but also as notable international investors. They averaged $37 billion in FDI outflows per year from 2001 to 2003, almost equal to the annual world totals during the first half of the 1980s; about one third of this amount went to developing countries. The total stock of FDI of developing countries rose from $129 billion in 1990 to $859 billion in 2003, with nearly half of it South-South.[8]

41. The United Nations Conference on Trade and Development (UNCTAD) reported in its *World Investment Report 2004* that the latest research indicated that South-South FDI flows had grown faster than North-South flows during the 1990s and that developing countries were more financially integrated with one another than previously believed. This was particularly important for small economies because corporations from developing countries tend to invest in countries with similar or lower levels of development than their home countries.

42. South African retailing companies have expanded to other African countries in search of opportunities not available domestically. Malaysian manufacturing industries have expanded to Indonesia and Viet Nam, where wages are lower. China

has invested in iron mines and steel mills in Peru and in oil in Angola and the Sudan. Indian information technology companies have established operations in more than a dozen countries, including China.

43. There are several reasons for the new vitality of South-South investment flows. One is that Governments have been supporting FDI outflows. China is providing investment insurance and tax breaks to companies that invest abroad. Other Governments are promoting investment flows within the framework of bilateral agreements. There are 653 bilateral investment treaties between developing countries, which, in 2003, covered roughly 20 per cent of South-South FDI stock. Countries with the largest FDI outflows are among those with the highest number of bilateral investment treaties, for example, India, Malaysia and Singapore.

44. Intra-African investment flows are mainly from South Africa. Lack of institutional structure and lack of capacity are obstacles to intra-African FDI and portfolio investment. Of the more than 20 stock markets in Africa, most are undercapitalized — they account for some 7 per cent of the capitalization of emerging stock markets — and list no more than a handful of companies. Most are ill-equipped to handle cross-border transactions. However, the Johannesburg stock exchange — the largest in Africa with $180 billion in capitalization — and the regional bourse of eight francophone States in West Africa actively facilitate foreign investment.

D. International trade

45. Developing countries constituted the fastest-growing sector of the world economy in 2003-2004, continuing a two-decade trend that has raised their share of world trade from 20 to 30 per cent of the world total. Manufactures as a proportion of developing-country exports rose from 20 per cent ($115 billion) in 1980 to 70 per cent ($1,300 billion) in 2000.

46. Trade among developing countries is now growing faster than their trade with developed countries and accounts for over 40 per cent of the total trade of the South. The collective strength of developing countries in international trade has also been growing, as evidenced by their success in putting the issue of market-distorting agricultural subsidies on the agenda of the Doha Round of world trade negotiations.

47. Regionally, the South-South trade picture varies dramatically. Almost half of all Asian trade is now South-South. In Latin America, South-South trade represents about 15 per cent of total trade, which is recovering rapidly from the severe economic crisis of 2001. Intra-African trade is only about 11 per cent of total trade, the lowest among world regions; however, it has doubled since 1980.

48. The traditional path to increasing intra-African trade by cutting tariffs presents difficulties for many countries because they rely on import duties for a significant portion of government receipts. Other obstacles are legion. About one fifth of Africa's population is landlocked (double the proportion in Asia and Latin America) and only one third lives within 100 kilometres of the sea, compared to over 40 per cent in other regions. Physical infrastructure is inadequate or non-existent: rail freight in Africa is under 2 per cent of the world total, marine freight capacity amounts to 11 per cent and air freight less than 1 per cent.

III. Evolving trends and issues in South-South cooperation

A. Developing countries

Africa and Asia

49. Currently, about 16 per cent of the exports of Africa go to Asia, particularly to China, India, the Republic of Korea and Taiwan Province of China, and these exports are growing by an annual average of 10 per cent. The potential for further expansion is so substantial — not just in trade but in a variety of other interactions — that the need for an overall strategy has become ever more salient.

50. The Asian-African Subregional Organizations Conference meetings in July 2003 and August 2004 explored the possibilities before the bicontinental summit in Bandung, Indonesia, in April 2005 agreed on a New Asian-African Strategic Partnership. The new strategy set out broad principles for Asian-African cooperation and spelled out political, economic and sociocultural priorities. The sustainability of the new strategic partnership will depend on three tiers of interaction: an intergovernmental forum, interaction among subregional organizations and people-to-people interaction, particularly in business, academia and civil society.

51. Institutionally, the Asian-African cooperative process will be guided by a summit of Heads of State and Government every four years, a meeting of ministers of foreign affairs every two years and sectoral ministerial and other technical meetings when necessary. The business summit that met before the Bandung summit will be convened in tandem with future political summits.

Asia and Latin America

52. The Forum for East Asia-Latin America Cooperation (FEALAC) held its Second Ministerial Meeting in January 2004, bringing together representatives of the 10 ASEAN countries, Australia, China, Japan, New Zealand, the Republic of Korea and 17 countries of Latin America (Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, Ecuador, El Salvador, Guatemala, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay and Venezuela (Bolivarian Republic of)). FEALAC aims to foster political dialogue, encourage cooperation and develop new partnerships. Since its first meeting in Santiago in March 2001, it has held consultations in three working groups and initiated work on a FEALAC academic network to help to raise interregional awareness.

Arab States and Latin America

53. The Arab-South American Summit convened its first session in Brasilia in May 2005, with the representatives of 34 States in attendance. Uniquely, the impetus for the summit came originally from the business sector, the Brazil-Arab Chamber of Commerce, which established a news agency, ANBA, in 2001 to promote interregional awareness. Brazil, home to most of the 10 million South Americans of Arab descent, had trade with the Arab region totalling $8.2 billion in 2004, up 50 per cent from 2003; the expectation is that it could rise to $15 billion in another two years. An agreement to negotiate a free trade area between Mercosur and the Gulf Cooperation Council was signed during the summit.

Africa and Latin America

54. At the first conference of African, Latin American and Caribbean energy ministers, held in February 2004, agreement was reached to initiate concerted action. A subsequent memorandum of understanding between the Latin American Energy Organization and the African Energy Commission set in motion a process of broad cooperation that includes capacity-building, research and technical support. The two entities agreed to standardize methods and technologies in use and exchange information to promote the integration of the two regions.

55. The South-South Healthcare Delivery Programme was established after its creation was recommended by the first South Summit (Havana, 2000). With headquarters in Abuja and the participation of Algeria, Botswana, Cuba, the Libyan Arab Jamahiriya, Nigeria and South Africa, it provides health-care services to countries on request. To date, personnel from Cuba, the Libyan Arab Jamahiriya and Nigeria have been deployed to Benin, Burkina Faso, Chad, the Gambia, Guinea, Mali, Niger and Sierra Leone. Requests from a number of other countries are pending.

Tricontinental initiatives

56. India, Brazil and South Africa (IBSA) have begun to cooperate across a broad front, including in the transportation, health, energy and information technology sectors, with a view to assisting other developing countries on a South-South basis. By the third IBSA Ministerial Meeting (Cape Town, South Africa, March 2005), preferential trade agreements had been concluded between Mercosur and the Southern African Customs Union (SACU) and between Mercosur and India. Discussions began in June 2005 on a trade agreement between India and SACU. An IBSA Business Council has been established, bringing together the major chambers of commerce and industry of the three countries.

Energy-sector cooperation

57. Developing countries (including those in the Commonwealth of Independent States) account for the bulk of the world's petroleum exports. They also account for some 40 per cent of world oil consumption, and this figure is rising rapidly. Both producing and consuming countries have been taking steps to deal with the emerging realities through South-South cooperation.

58. In May 2005, the presidents of Argentina, the Bolivarian Republic of Venezuela and Brazil signed a cooperation agreement in the energy sector creating Petrosul. The agreement involves partnerships between the State-owned oil companies of the three countries in projects on oil prospecting, refining and transportation as well as ship construction. The three presidents also discussed financing options for the three State companies.

59. In April 2005, experts from Brazil, China and India discussed a proposal to establish an energy service company industry in order to lower substantially economic, social and environmental costs in the energy field. The meeting was convened under the 3 Country Energy Efficiency Project, a partnership between the World Bank, the Denmark-based Risoe Centre on Energy, Climate and Sustainable Development of the United Nations Environment Programme and institutions in Brazil, China and India, aimed primarily at sharing best practices to reduce

greenhouse gas emissions. The three countries are projected to more than double their use of energy and their greenhouse gas emissions in the next 20 years.

National programmes

60. Many developing countries have expanded their national South-South programmes because of increased regional integration. A number of pivotal developing countries in Asia and Latin America have also specifically strengthened their cooperation with African countries. However, there is not enough information available to say whether poorer countries, especially in Africa, have set national South-South strategies necessary for them to take full advantage of regional and interregional arrangements such as NEPAD and the New Asian-African Strategic Partnership through South-South cooperation. Thus, for those countries lacking national policies and strategies on South-South cooperation, it is essential that they create mechanisms for the effective coordination of South-South relations at the national, subregional, regional and interregional levels.

B. Developed countries

61. Developed countries have been strong supporters of South-South cooperation. The European Union, Japan, the Netherlands, the Nordic countries and the United States have all provided substantial funding for many of the projects mentioned earlier. The February 2005 meeting organized by OECD/DAC with the Special Unit for South-South Cooperation in UNDP fostered closer cooperation between DAC members and developing countries that provide assistance to other countries of the South. Participants at the meeting agreed that South-South and triangular cooperation can improve aid efficiency and effectiveness by emphasizing ownership and inclusive partnerships.

62. The G-8 has undertaken two initiatives relevant to triangular cooperation. One is the Africa Partnership Forum, which has met several times since November 2003, bringing together the personal representatives of the G-8 leaders and other aid donors, the 20-member NEPAD Implementation Committee, representatives of African civil society and international organizations. The aim of the Forum is to enhance transparency and plan action on a number of key topics, including food security and HIV/AIDS. The Partnership for Progress and a Common Future with the Region of the Broader Middle East and North Africa, initiated at the 2004 G-8 Summit, focuses mainly on reform of political and economic governance.

63. Japan has been a leader in triangular cooperation. The Tokyo International Conference on African Development (TICAD) convened its third session in 2003, which, like its predecessors, resulted in significant follow-up. For instance, Japan and Malaysia convened the Asia-Africa Public-Private Joint Forum in May 2004 to prepare for the TICAD Asia-Africa Trade and Investment Conference in November of that year, which brought together banking and business leaders from the two continents. Also, the Asia-Africa Investment and Technology Promotion Centre was established in Kuala Lumpur, with support from Japan and technical input from the United Nations Industrial Development Organization (UNIDO). A TICAD volunteer programme takes increasing numbers of Asian experts to Africa.

64. Another long-standing supporter of triangular cooperation has been the European Centre for Global Interdependence and Solidarity, better known as the

North-South Centre, established in 1989 by the Council of Europe. Its Europe-Africa dialogue and trans-Mediterranean dialogue processes consistently incorporate South-South elements.

65. The Nordic countries have provided long-term support for regional programmes of agricultural research that have networked experts and institutions in southern, eastern and central Africa, for instance the Association for Strengthening Agricultural Research in Eastern and Central Africa, which manages 16 networks of researchers and extension offices dealing with the major food crops of the region.

66. An entirely new kind of triangular cooperation has involved the extension of significant support for building up African peacekeeping capacity. Members of the G-8 envisage providing the support needed to train 75,000 Africans over five years for peacekeeping activities.

C. The United Nations development system

67. South-South cooperation is now pervasive in United Nations development system activities, but it is difficult to obtain an overview because there is little uniformity in the information available from different agencies. Since this matter was first raised in the High-level Committee on South-South Cooperation in 2003, there has been some improvement. The Economic Commission for Africa, the Economic and Social Commission for Asia and the Pacific and the United Nations University released major studies on regional integration in 2004 and the World Bank has raised the visibility of South-South cooperation in its 2005 reports on financial flows and trade.[9] The World Trade Organization (WTO) included significant findings on South-South cooperation in its first *World Trade Report*, in 2003.[10]

68. The increased competence and capacity of developing countries and the cost-effectiveness of regionally owned initiatives have had a broad effect on United Nations operational activities for development, for humanitarian relief and for peace and security. In all areas, there has been a greater reliance in recent years on regional actors, arrangements and capacities. The African Union, the Economic Community of West African States and the Economic Community of Central African States have all shouldered peace and security responsibilities that in past decades would have passed automatically to extraregional entities.

69. Despite these signs of progress, the programmatic visibility of South-South cooperation in multilateral affairs continues to be generally low, which is an obstacle to improved coordination and synergy. The following paragraphs reflect the diversity of United Nations system involvement in promoting South-South cooperation and further underline the need for improving information and analysis.

70. *UNDP*. In September 2004, the UNDP Executive Board decided to include South-South cooperation among the "drivers of development effectiveness" in the multi-year funding framework, thus making it a cross-cutting element in all UNDP practice areas. A preliminary analysis of the data submitted by country offices indicates that, in Africa, South-South cooperation is most prominent in meeting the challenge of HIV/AIDS and fostering democratic governance. In the Asian and Pacific region, it is most used in crisis prevention and recovery and in dealing with energy and the environment. In Latin America, the top areas for South-South

cooperation are crisis prevention and recovery, and fostering democratic governance.

71. *Special Unit for South-South Cooperation*. The third cooperation framework (2005-2007), covering the activities of the Special Unit for South-South Cooperation in UNDP, contains three significant shifts that reflect lessons drawn from the implementation of earlier frameworks. As a result, the Special Unit will move beyond advocacy to emphasize implementation of action plans. It will sharpen its focus on the Millennium Development Goals, with emphasis on the use of the private sector to meet the priority needs of the least developed countries, the small island developing States and the landlocked developing countries. The Special Unit will also be transformed into a more active South-South knowledge management centre, facilitating access to, inter alia, rosters of Southern experts, best practices and Southern solutions in achieving the Millennium Development Goals.

72. The Plan of Action adopted by the Second South Summit included a substantial section on South-South cooperation. The Summit urged that the Special Unit be strengthened as a "separate entity and a focal point for South-South cooperation within the United Nations system" so as to enable it to carry out all mandated activities, including mobilization of resources for cooperation among developing countries. The Summit also asked that the Special Unit:

(a) Prepare an annual report on South-South cooperation in collaboration with the South Centre and in consultation with the Chairman of the Group of 77;

(b) Support, in collaboration with the South Centre, the creation of a network of centres of excellence of existing scientific and technological institutions in developing countries, with a view to facilitating the interaction of scientists and engineers and making optimal use of available research facilities; and

(c) Assist, in partnership with the Group of 24 and the United Nations Conference on Trade and Development (UNCTAD), in consultations regarding a meeting of finance, central bank and/or other experts to continue consideration of a trade and development bank for the South.

73. To deal with the paucity of funding for South-South cooperation, the Second South Summit established a broadly mandated South Fund for Development and Humanitarian Assistance, which received initial contributions from Qatar ($20 million) and China and India ($2 million each). Other countries in a position to make contributions were invited to do so.

74. *UNCTAD*. A secretariat report prepared for UNCTAD XI[11] (Sao Paolo, Brazil, June 2004) heralded the "new geography of international trade" shaped by South-South cooperation. During the conference, developing countries launched the third round of negotiations under the Global System of Trade Preferences Among Developing Countries (GSTP), a process in which UNCTAD will have a key advisory role. Trade among GSTP members is already close to $2 trillion, or about 55 per cent of the international trade of all developing countries.[12] The UNCTAD annual *World Investment Report* tracks global investment flows, including those to, from and among developing countries.

75. In October 2003, the UNCTAD Trade and Development Board endorsed a new capacity-building strategy aimed at supporting the efforts of developing countries to develop and upgrade the skill base necessary to participate in regional and

international trade negotiations. The new strategy will involve deployment of training activities within regional integration groupings to support, in particular, the least developed countries. It will seek to improve the efficiency of operations and reinforce synergy among regional institutions by focusing on several initiatives, including training of trainers and the establishment of expertise-sharing networks.

76. *International Trade Centre UNCTAD/WTO (ITC).* ITC has a South-South trade promotion programme centred on bringing buyers and sellers together at well-prepared regional and interregional conferences. The ITC Trade Analysis System for Personal Computer, available on CD-ROM, provides the data on market conditions and product availability that businessmen would need to explore South-South trade opportunities.

77. *UNIDO.* The South-South cooperation programme under the aegis of UNIDO and partners includes India (low-cost housing), Malaysia (technology and investment), Japan and the Commonwealth Secretariat (triangular cooperation in both cases). The UNIDO "cleaner production programme" works through a network of centres covering 30 countries.

78. *World Bank.* The World Bank uses elements of South-South cooperation in many of its projects. In May 2004, it convened an international conference on poverty reduction in Shanghai, China, which adopted the Shanghai Agenda for Poverty Reduction. The "Shanghai Consensus" underlined the importance of the role of the State as well of free markets in economic and social development. It also stressed the importance of South-South cooperation in scaling up poverty reduction efforts.

79. *International Civil Aviation Organization (ICAO).* With a technical assistance programme conducted on a regional basis and paid for almost entirely (95 per cent) by recipient countries, much of the ICAO operational activity is South-South. Some funding has also come from regional development banks, the European Commission, the United States Federal Aviation Administration and the private sector (Airbus, the Boeing Company and General Electric).

80. *Food and Agriculture Organization of the United Nations (FAO).* As the main architect of the NEPAD Comprehensive Africa Agriculture Development Programme and of the Forestry Outlook Study for Africa, both prepared through intensive consultations with Governments, the FAO Special Programme for Food Security, which assists developing countries to share agricultural experts on all aspects of farming, is also one of the success stories of South-South cooperation. Begun in 1994 with 15 participating countries and a budget of $3.5 million, it now involves 102 countries and a budget of $500 million, more than half of it contributed by developing countries. The community-based approach of the programme is being scaled up in 20 countries as part of their drive to realize the Millennium Development Goal of eradicating extreme hunger by 2015.

81. *United Nations Educational, Scientific and Cultural Organization (UNESCO).* South-South cooperation is central to such UNESCO programmes as the Regional Seas Programme, Education for All, and Man and the Biosphere. For instance, the latter programme is supported by a variety of regional and subregional networks supported by UNESCO regional offices. A close collaborator with African Governments in the education aspect of NEPAD, UNESCO organized three subregional conferences in January 2004, bringing together ministers of education

to discuss the best strategy for using education as an efficient tool for regional integration.

82. *United Nations University (UNU).* The South-South activities of UNU that were budgeted as such involved two training programmes on forestry management and on assessing sustainable development. However, most UNU activities involve South-South cooperation in that they engage individuals and institutions in developing countries and focus on issues identified by their Governments as being of major concern.

D. The private sector

83. With outward FDI stock of $859 billion in 2003, transnational corporations from developing countries are becoming significant international players. In some sectors, they have built their own internationally synergistic networks. Over the past 15 years, FDI outflows from developing countries have grown faster than those from developed countries. Malaysia, the Republic of Korea and Singapore have established track records; Chile, Mexico and South Africa are more recent entrants, followed by Brazil, China and India. UNCTAD reported in 2004 that the growing foreign role of Southern corporations was not receiving much attention from the Governments of the South even though this aspect of their countries' integration into the world economy would be "a challenge that more and more of them will face".[13]

84. Asian corporations have led the field in investing abroad. In 2003, they had $635 billion invested in foreign countries, more than half in other developing countries. Chinese corporations have become notable investors abroad, especially in the energy sector, with annual average flows increasing from $450 million in the 1980s to over $2 billion in the 1990s; at the end of 2003, the total stock of FDI of China was estimated to be $37 billion. Investments have gone not only to other Asian countries but also to Africa and Latin America.[14] China is number 58 on the UNCTAD Outward FDI Performance Index 2001-2003, at about the middle of the 128-country list.

85. FDI flows from India, which ranked 61 on the Outward FDI Performance Index 2001-2003, have accelerated sharply in the past two years as the Government has eased restrictions and the country's software and call-centre companies have expanded abroad. About half of Indian investments are in other developing countries. In addition to information technology, investments have gone to the energy sector, manufacturing (beverages, air conditioners, pharmaceuticals) and services, such as tourism and transportation.

86. South African companies have emerged as major international players in certain sectors. AngloGold Limited became the world's largest gold producer when it acquired the Ashanti gold mine in Ghana in 2003. Anglo American plc achieved record revenues of $2.7 billion in 2004 — a 59 per cent increase from 2003 — thanks in large part to its base metal operations in South America, which are meeting the booming demand from China. South African companies are exploring for natural gas deposits in Bolivia and oil in the Bolivarian Republic of Venezuela. Within Africa, the South African conglomerate Eskom has contracted to run the Tanzania Electric Supply Company and the main power station in Zimbabwe. It also has a contract to undertake repair and rehabilitation functions for the Nigerian National Power Authority.

87. In Latin America, the Andean Development Corporation (CAF) offers a unique South-South success story. Established by intergovernmental agreement in February 1968 as a multipurpose bank and agency for promoting Andean development and integration, its initial subscribed capital of $25 million has grown to $2.36 billion, while authorized capital has risen from $100 million to $5 billion. CAF subscribers now include not only Governments but also 16 private banks from the region.

88. The private sector is becoming the main source of FDI flows to developing countries. Since a lack of resources has been cited as a constraint on South-South cooperation, greater efforts should be made to expand public-private partnerships as a means of overcoming this obstacle to South-South cooperation.

E. Non-governmental and civil society organizations

89. Non-governmental organizations (NGOs) and civil society organizations (CSOs) have opened up a new frontier for South-South cooperation, facilitated by new information and communication technologies. The Internet and the World Wide Web have allowed individuals and CSOs to network interregionally, creating people-to-people processes without historical precedent. An example is the Social Watch network that emerged from the 1995 World Summit for Social Development. With an international secretariat in Montevideo, it publishes an annual report that offers a strong developing-country perspective on international developments.

90. A more recent example is the International Network for Economic, Social and Cultural Rights, created in June 2003 at a meeting of 300 activists from 50 countries in Chiang Mai, Thailand, after a two-year process of Web-based outreach and consultation. The personnel that constitute the governing structures of both Social Watch and the International Network for Economic, Social and Cultural Rights are predominantly from the South.

91. Older organizations, such as the Third World Network, the Third World Academy of Sciences (now renamed the Academy of Sciences for the Developing World but retaining its acronym, TWAS) and the Third World Network of Scientific Organizations (TWNSO), continue to provide vital services.

92. In 2004, TWAS and TWNSO collaborated to issue the third edition of *Profiles of Institutions for Scientific Exchange and Training in the South*, a book outlining the capabilities of more than 500 outstanding research institutions in the developing world. TWAS has continued to receive strong support from developing countries that have well-developed capacities in science. In 2004, Brazil, China and India announced that they would each offer 50 fellowships a year through TWAS for scientists from other developing countries.

93. In Africa, CSOs are members of the new 150-member Economic, Social and Cultural Council of the African Union. The sharpened focus of NEPAD on democratic governance further empowers NGOs. At the subregional level, a notable initiative is the Inter-Governmental Authority NGO-CSO Forum organized in April 2004 by civil society groups from Djibouti, Eritrea, Ethiopia, Somalia, the Sudan and Uganda. It will address all the major problems facing the region, including armed conflict, severe environmental degradation, HIV/AIDS, small arms proliferation and lack of security.

94. CSOs and NGOs, as new actors in South-South cooperation, present an opportunity to bring the South-South approach to development to a wide range of issues, providing a link between the global development agenda and the priorities of actors at various levels, including local communities.

IV. Conclusions and recommendations

95. The emerging consensus of developed and developing countries on the value of South-South approaches to development presents a unique opportunity for the international community to scale up South-South and triangular initiatives that require the mobilization of complementary resources from the North and South in the spirit of the Monterrey Consensus on financing for development. Strategies and mechanisms for the coordination of South-South cooperation should be strengthened in order to take full advantage of the new momentum in South-South and triangular cooperation.

96. United Nations organizations and agencies increasingly rely on Southern experts and institutions owing to their cost-effectiveness and first-hand knowledge of development issues and solutions in the South. To optimize the use of Southern capacities, the United Nations system should develop a more coordinated approach to its identification and use of the growing number of world-class experts and institutions in developing countries, in coordination with the Special Unit for South-South Cooperation, which should be strengthened as the United Nations focal point for South-South cooperation.

97. As the private sector becomes the main source of FDI flows to developing countries, efforts should be made to expand and strengthen innovative, self-sustaining public-private partnership mechanisms as a means of overcoming obstacles to South-South cooperation.

98. Regional and interregional trading blocs and other collaborative alliances have been established in the South to reinforce smaller subregional groups as a strategic response to challenges posed by globalization. For these groups to benefit from one another's knowledge and experiences, mechanisms should be created for better coordination between the experts and key policymakers in their secretariats.

99. Based on international consensus on the need to align the South-South agenda with the development goals contained in the United Nations Millennium Declaration, countries seeking to concentrate scarce resources on a realistic set of objectives should adopt the strategic focus of the Millennium Declaration in their development planning, without prejudice to priorities arising from their unique development circumstances.

Notes

[1] See "Implementation of the recommendations contained in the report of the Secretary-General on the causes of conflict and promotion of durable peace and sustainable development in Africa: Progress report of the Secretary-General" (A/59/285), para. 3.

[2] Report of the Secretary-General on United Nations assistance to the African Union Mission in the Sudan (S/2005/285), paras. 7 and 9.

[3] Food and Agriculture Organization of the United Nations, NEPAD Comprehensive Africa Agriculture Development Programme, chap. 3, sect. 3.1, text box 5, November 2002. Available at http://www.fao.org/documents/show_cdr.asp?url_file=/docrep/005/Y6831E/y6831e-04.htm.

[4] See Inter Press Service News Agency report of 7 December 2004 available at http://www.ipsnews.net/interna.asp?idnews=26583.

[5] World Bank, *Global Development Finance: Mobilizing Finance and Managing Vulnerability. Vol. I: Analysis and Statistical Appendix 2005*, pp. 57-58. Available at http://siteresources.worldbank.org/INTGDF2005/Resources/gdf05complete.pdf.

[6] See Asian Development Bank Institute e-newsline of 13 May 2005.

[7] World Bank, *Global Development Finance: Mobilizing Finance and Managing Vulnerability. Vol. I: Analysis and Statistical Appendix 2005*, p. 28. Available at http://siteresources.worldbank.org/INTGDF2005/Resources/gdf05complete.pdf.

[8] United Nations Conference on Trade and Development, *World Investment Report 2004* (New York and Geneva, United Nations, 2004), p. 19 ff.

[9] See, for example, World Bank, *Global Development Finance 2005: Mobilizing Finance and Managing Vulnerability. Vol. I: Analysis and Statistical Appendix 2005*, pp. 99-102.

[10] World Trade Organization *World Trade Report 2003*, pp. 22-32. Available at http://www.wto.org/english/res_e/booksp_e/anrep_e/wtr03_e.pdf.

[11] United Nations Conference on Trade and Development, "New geography of international trade: South-South cooperation in an increasingly interdependent world" (TD/404), 4 June 2004.

[12] See UNCTAD/PRESS/PR/SPA/2004/010 of 17 June 2004. Available at http://www.unctad.org/Templates/webflyer.asp?docid=4913&intItemID=2807&lang=1.

[13] United Nations Conference on Trade and Development, *World Investment Report 2004* (New York and Geneva, United Nations, 2004), p. 29.

[14] Ibid., p. 25 ff.